

TOWN OF COLFAX, LOUISIANA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

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December 26, 2014

Independent Auditors' Report

The Honorable Ossie Clark, Mayor
and the Board of Aldermen
Town of Colfax, Louisiana

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colfax, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes assessing the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

-Members-

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OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colfax, as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

OTHER MATTERS

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER SUPPLEMENTARY INFORMATION

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Colfax's basic financial statements. The general fund schedule of expenses – budget and actual and the combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The general fund schedule of expense – budget and actual, and the combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARD

In accordance with *Government Auditing Standards*, we have also issued a report dated December 26, 2014, on our consideration of the Town of Colfax's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Rozier, Harrington & McKay
ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

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December 26, 2014

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Ossie Clark, Mayor
And the Board of Alderman
Town of Colfax, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colfax, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Colfax's basic financial statements, and have issued our report herein dated December 26, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Colfax's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Colfax's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Colfax's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any

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The Honorable Ossie Clark, Mayor
and the Board of Aldermen
December 26, 2014

deficiencies in internal control that we consider to be material weaknesses. We identified five deficiencies in internal control; finding 2014-1, 2014-2, 2014-3, 2014-5 and 2014-6 described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Colfax's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as item 2014-4.

Town of Colfax's Response to Findings

The Town of Colfax's response to the findings identified in our audit is described in the accompanying management's corrective action plan. The Town of Colfax's response was not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


ROZIER, HARRINGTON & MCKAY
Certified Public Accountant

Town of Colfax

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

This section of the Town of Colfax's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended June 30, 2014.

Overview of Financial Statements

The basic financial statements include government-wide financial statements and fund financial statements. These two types of financial statements present the Town's financial position and results of operations from differing perspectives which are described as follows:

Government –Wide Financial Statements

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. These report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the Town's assets (including infrastructure acquired after July 1, 2003) and all of the Town's liabilities (including long-term debt).

The government-wide financial statements are divided into two categories, which are described as follows:

- **Governmental Activities** – Expenses incurred in connection with providing basic services including police protection, fire protection, culture, recreation, public works, and general administration are reported as governmental activities. The governmental activities are financed by taxes, license fees, fines, court cost, interest, grants, and contributions.
- **Business-Type Activities** – Expenses associated with providing utility services are recovered through fees paid by the customers that utilize these services. These activities are operated in a manner similar to commercial enterprises. Accordingly, activities associated with the utility system and sanitation services are reported as business type activities.

Fund Financial Statements

Fund financial statements provide detailed information regarding the Town's most significant activities and are not intended to provide information for the Town as a whole. Funds are accounting devices that are used to account for specific sources of funds. The Town has two types of funds that are described as follows:

- **Governmental Funds** – These funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental funds use a modified accrual basis of accounting that provides a short-term view of the Town's finances. Assets reported by governmental funds are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.
- **Proprietary Fund** – These funds are used to account for activities that function in a manner similar to commercial enterprises, including activities associated with the Town's utility system and sanitation services. Proprietary fund financial statements typically provide a more detail presentation of the information reported in the business-type activities portion of the government-wide financial statements.

TOWN OF COLFAX

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Financial Analysis of the Town as a Whole

A comparative analysis of government-wide data is presented as follows:

Net Position

A condensed version of the government-wide Statement of Net Position is presented as follows:

	June 30, 2014			For the Year Ended June 30, 2013
	Gov- ern- men- tal Acti- vities	Busi- ness- Type Acti- vities	Total	
<u>Assets:</u>				
Current and other assets	\$ 149,284	\$ 200,061	\$ 349,345	\$ 576,880
Capital assets	1,308,922	2,009,023	3,317,945	3,367,461
Total assets	1,458,206	2,209,084	3,667,290	3,944,341
<u>Liabilities:</u>				
Current and other liabilities	48,500	179,123	227,623	393,076
Long-term liabilities	11,037	60,940	71,977	67,279
Total liabilities	59,537	240,063	299,600	460,355
<u>Net Assets:</u>				
Invested in Capital Assets (Net)	1,308,922	2,009,023	3,317,945	3,367,461
Unrestricted	89,747	(40,002)	49,745	108,377
Total Net Position	\$ 1,398,669	\$ 1,969,021	\$ 3,367,690	\$ 3,475,838

As the presentation appearing above demonstrates, the largest portion of the Town's net position (98.5%), are invested in capital assets. Net assets invested in capital assets consist of land, buildings, and equipment less any debt used to acquire the assets that remain outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending. The remaining unrestricted net assets may be used to meet the Town's ongoing obligations to citizens and creditors.

Changes in Net Assets

A condensed version of the government-wide Statement of Changes in Net Position is presented as follows:

TOWN OF COLFAX

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

	June 30, 2014			For the Year Ended June 30, 2013
	Govern- mental Activities	Business- Type Activities	Total	
Revenues:				
Program Revenue:				
Charges for Services	\$ 35,478	\$ 824,726	\$ 860,204	\$ 833,428
Operating Grants and Contributions	8,232	6,547	14,779	----
Capital Grants and Contributions	114,062	----	114,062	396,037
General Revenue:				
Property Taxes	99,708	----	99,708	69,546
Sales Taxes	133,559	----	133,559	259,795
Franchise Taxes	67,135	----	67,135	58,426
Occupational Licenses	59,677	----	59,677	58,305
Payment in Lieu of Taxes	10,123	----	10,123	6,575
Miscellaneous	141,065	319	141,384	41,246
Total Revenue	669,039	831,592	1,500,631	1,723,358
Program Expenses:				
General Government	215,940	----	215,940	202,557
Public Safety	203,420	----	203,420	186,983
Streets, Drainage, and Recreation	223,124	----	223,124	193,870
Utility System	----	868,277	868,277	809,621
Sanitation	----	98,018	98,018	88,525
Total Expenses	642,484	966,295	1,608,779	1,481,556
Increase in Net Position				
Before Transfers	26,555	(134,703)	(108,148)	241,802
Transfers	30,893	(30,893)	----	----
Change in Net Position	57,448	(165,596)	(108,148)	241,802
Net Position Beginning	1,341,221	2,134,617	3,475,838	3,234,036
Net Position Ending	\$ 1,398,669	\$ 1,969,021	\$ 3,367,690	\$ 3,475,838

Governmental activities increased the Town's net position by \$57,448. This increase is mainly due to the receipt of an LCDBG grant for street improvements.

Business-type activities decreased the Town's net position by \$165,596. This decrease is due to repairs to the aging water and sewer infrastructure, depreciation, and expenses associated with gas losses.

Financial Analysis of the Town's Funds

An analysis of significant matters affecting the Town's funds is presented as follows:

TOWN OF COLFAX

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

- The Town's governmental funds reported combined fund balances of \$100,784, which represents an increase of \$18,189 in comparison to the previous balance. This increase is attributable primarily to an increase in General Fund revenue in the current year.
- Amounts reported for business-type activities in the Town's individual funds are identical to the business-type activities reported on the government-wide presentation.

General Fund Budget Highlights

The general fund is the only fund required by law to adopt a budget. The budget was amended as necessary. Some revisions of the original budget were necessary in order to address additional revenues and expenditures not anticipated with the original budget. A summary of the general fund budget compared to actual amounts is presented as follows:

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Total Revenues	\$ 543,575	\$ 547,896	\$ 555,195	\$ 7,299
Total Expenditures	656,900	551,768	567,899	(16,131)
Excess (deficiency) of revenues over expenditures	(113,325)	(3,872)	(12,704)	(8,832)
Operating Transfers In (net)	135,000	(12,160)	30,893	43053
Net Change in Fund Balances	\$ 21,675	\$ (16,032)	\$ 18,189	\$ 34,221

TOWN OF COLFAX

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Capital Asset Administration

Capital asset activity for the year ended June 30, 2014, is summarized as follows:

	Governmental Activities	Business-Type Activities	Total
<u>Additions:</u>			
Improvements	\$ 114,062	\$ ----	\$ 114,062
Equipment	5,183	13,743	18,926
Total Additions	119,245	13,743	132,988
<u>Dispositions:</u>			
Net Book Value of Equipment Disposed	(217)	----	(217)
Depreciation	(79,254)	(103,033)	(182,287)
Net Increase (Decrease)	39,774	(89,290)	(49,516)
Beginning Capital Asset (Net)	1,269,148	2,098,313	3,367,461
Ending Capital Assets (Net)	\$ 1,308,922	\$ 2,009,023	\$ 3,317,945

Highlights of the Town's capital asset administration are provided as follows:

- Equipment and Improvements include:
 - Governmental Activities: The additions were the purchase and installation of a new furnace for City Hall and drainage improvements. In the current year the Town disposed of equipment and vehicles that was obsolete or no longer in service.
 - Business-type Activities: The additions in the current year were an engine rebuild for a Gas System Vehicle, an engine rebuild for a Water System vehicle, and a grinder pump for the Sewer System. In the current year, the Town disposed of Water System equipment that was obsolete and no longer in service.

Factors Expected to Affect Future Operations

Events and conditions that are expected to have a significant influence on future operations are highlighted as follows:

- The Town was awarded a \$34,000 CWEF Grant for Water System improvements in the prior year. This project had not yet begun as of the end of the current fiscal year.

Town of Colfax

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 94,757	\$ 107,428	\$ 202,185
Receivables (net)	51,645	89,554	141,199
Other	2,882	3,079	5,961
Capital Assets:			
Non depreciable capital assets	207,068	6,232	213,300
Depreciable, net	<u>1,101,854</u>	<u>2,002,791</u>	<u>3,104,645</u>
Total assets	<u>1,458,206</u>	<u>2,209,084</u>	<u>3,667,290</u>
<u>LIABILITIES</u>			
Accounts payable and other payables	48,500	79,553	128,053
Interfund Payable	-	-	-
Deposits due others	-	99,570	99,570
Long-term liabilities			
Due in more than one year	<u>11,037</u>	<u>60,940</u>	<u>71,977</u>
Total liabilities	<u>59,537</u>	<u>240,063</u>	<u>299,600</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	1,308,922	2,009,023	3,317,945
Unrestricted	<u>89,747</u>	<u>(40,002)</u>	<u>49,745</u>
Total net position (deficit)	<u>\$ 1,398,669</u>	<u>\$ 1,969,021</u>	<u>\$ 3,367,690</u>

The accompanying notes are an integral part of the financial statements.

Town of Colfax

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
<u>Governmental Activities:</u>							
General Government	\$ 215,940	\$ -	\$ -	\$ -	\$ (215,940)	\$ -	\$ (215,940)
Public Safety	203,420	35,478	8,232	-	(159,710)	-	(159,710)
Streets, Drainage, & Recreation	223,124	-	-	114,062	(109,062)	-	(109,062)
Total Governmental Activities	642,484	35,478	8,232	114,062	(484,712)	-	(484,712)
<u>Business-Type Activities:</u>							
Utility System	868,277	723,363	6,547	-	-	(138,367)	(138,367)
Sanitation	98,018	101,363	-	-	-	3,345	3,345
Total Business-Type Activities	966,295	824,726	6,547	-	-	(135,022)	(135,022)
Total Primary Government	\$ 1,608,779	\$ 860,204	\$ 14,779	\$ 114,062	(484,712)	(135,022)	(619,734)

General Revenues:

Taxes:			
Ad Valorem	99,708	-	99,708
Sales Taxes	133,559	-	133,559
Franchise	67,135	-	67,135
Occupational Licenses	59,677	-	59,677
Payment in lieu of taxes	10,123	-	10,123
Other	141,065	319	141,384
Transfers	30,893	(30,893)	-
Total General Revenues and Transfers	542,160	(30,574)	511,586
Change in Net Assets	57,448	(165,596)	(108,148)
Net Position Beginning	1,341,221	2,142,765	3,483,986
Prior Period Adjustment	-	(8,148)	(8,148)
Net Position Beginning- Restated	1,341,221	2,134,617	3,475,838
Net Position Ending	\$ 1,398,669	\$ 1,969,021	\$ 3,367,690

The accompanying notes are an integral part of the financial statements.

Town of Colfax

Balance Sheet

Governmental Funds - June 30, 2014

	General	LCDBG Funds	Total Governmental Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 94,757	\$ -	\$ 94,757
Receivables (net)	51,645	-	51,645
Other	2,882	-	2,882
Interfund Receivable	-	-	-
Total assets	\$ 149,284	\$ -	\$ 149,284
<u>Liabilities and fund equity</u>			
<u>Liabilities:</u>			
Accounts and other payables	\$ 41,284	\$ -	\$ 41,284
Accrued expenses	7,216	-	7,216
Total liabilities	48,500	-	48,500
<u>Fund equity:</u>			
Unassigned	100,784	-	100,784
Total fund equity	100,784	-	100,784
Total liabilities and fund equity	\$ 149,284	\$ -	\$ 149,284

The accompanying notes are an integral part of the financial statements.

Town of Colfax

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Position

Year Ended June 30, 2014

Total Fund Balances - Governmental Funds	\$	100,784
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Amounts reported for governmental activities in the statement of net assets are
different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,308,922
--	--	-----------

Long term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Fund Balance Sheet		<u>(11,037)</u>
---	--	-----------------

Net Position of Governmental Activities	\$	<u>1,398,669</u>
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The accompanying notes are an integral part of the financial statements.

Town of Colfax

Statement of Revenues, Expenditures, and Changes in Fund Balance **Governmental Funds - Year Ended June 30, 2014**

	General Fund	LCDBG Fund	Total Governmental Funds
<u>Revenues:</u>			
Taxes:			
Ad valorem	\$ 99,708	\$ -	\$ 99,708
Sales tax	133,559	-	133,559
Licenses and permits:	-		
Occupational licenses	59,677	-	59,677
Franchise	67,135	-	67,135
Other permits	173	-	173
Fines and fees	35,478	-	35,478
Rent	8,970	-	8,970
Intergovernmental:	-		
Federal funds	-	114,062	114,062
Beer tax	3,200	-	3,200
Payment in lieu of taxes	10,123	-	10,123
Other intergovernmental	14,710	-	14,710
Other	122,462	-	122,462
Total revenues	555,195	114,062	669,257
<u>Expenditures:</u>			
Current:			
General government	207,268	-	207,268
Public safety	184,848	-	184,848
Streets, drainage, and recreation	170,600	-	170,600
Capital outlays	5,183	114,062	119,245
Total expenditures	567,899	114,062	681,961
Excess (deficiency) of revenues over expenditures	(12,704)	-	(12,704)

Continued...

The accompanying notes are an integral part of the financial statements.

Town of Colfax

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds - Year Ended June 30, 2014

Concluded...

	General	LCDBG Fund	Total Governmental Funds
Excess (deficiency) of revenues over expenditures	(12,704)	-	(12,704)
<u>Other financing sources (uses):</u>			
Operating transfers in	125,507	-	125,507
Operating transfers out	(94,614)	-	(94,614)
Total other financing sources (uses)	30,893	-	30,893
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	18,189	-	18,189
Fund balance - beginning of year	82,595	-	82,595
Fund balance - end of year	<u>\$ 100,784</u>	<u>\$ -</u>	<u>\$ 100,784</u>

The accompanying notes are an integral part of the financial statements.

Town of Colfax

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

Year Ended June 30, 2014

Net change in fund balances of Governmental Funds \$ 18,189

Amounts reported for governmental activities in the statement of
activities are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities the cost of those assets is allocated over
estimated useful lives and reported as depreciation expense. This is the
amount by which capital outlays exceeded depreciation in the current
period.

Capital expenditures reported by Governmental Funds	119,245	
Net Asset Disposals reported on a government-wide basis	(217)	
Depreciation expense reported on a government-wide basis	<u>(79,254)</u>	39,774

Some expenses reported in the statement of activities do not require the use
of current financial resources and therefore are not reported as
expenditures by governmental funds. (515)

Change in net position of governmental activities \$ 57,448

The accompanying notes are an integral part of the financial statements.

Town of Colfax

Statement of Net Position

Proprietary Funds - Year Ended June 30, 2014

	Business-Type Activities		
	Utility System	Sanitation System	Total
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 107,428	\$ -	\$ 107,428
Receivables (net)	79,205	10,349	89,554
Prepaid Insurance	3,079	-	3,079
Total current assets	189,712	10,349	200,061
Noncurrent Assets:			
Non-Depreciable capital assets			
Land	6,232	-	6,232
Construction in Progress	-	-	-
Depreciable capital assets, net	2,002,791	-	2,002,791
Total noncurrent assets	2,009,023	-	2,009,023
Total assets	2,198,735	10,349	2,209,084
<u>Liabilities and fund equity</u>			
<u>Liabilities:</u>			
Current Liabilities:			
Accounts and other payables	68,375	-	68,375
Accrued expenses	11,178	-	11,178
Interfund Payable	-	-	-
Deposits due others	99,570	-	99,570
Compensated Absences	60,940	-	60,940
Total liabilities	240,063	-	240,063
<u>Net Position:</u>			
Invested in capital assets, net of related debt	2,009,023	-	2,009,023
Unrestricted	(50,351)	10,349	(40,002)
Total net position	\$ 1,958,672	\$ 10,349	\$ 1,969,021

The accompanying notes are an integral part of the financial statements.

Town of Colfax

Statement of Revenues, Expenditures, and Changes in Fund Net Assets Proprietary Funds - Year Ended June 30, 2014

	Business-Type Activities		
	Utility System	Sanitation System	Total
<u>Operating Revenues:</u>			
Charges for services:			
Gas sales	\$ 349,483	\$ -	\$ 349,483
Water sales	234,632	-	234,632
Sewer charges	109,801	-	109,801
Sanitation charges	-	101,363	101,363
Delinquent charges	27,932	-	27,932
Miscellaneous	1,515	-	1,515
Total operating revenues	723,363	101,363	824,726
<u>Operating Expenses:</u>			
Natural gas purchases	164,198	-	164,198
Salaries and wages	214,735	-	214,735
Contract Labor	-	98,018	98,018
Materials, supplies, and maintenance	107,634	-	107,634
Office and postage	9,908	-	9,908
Payroll taxes	15,095	-	15,095
Retirement	18,088	-	18,088
Vehicle and travel	25,787	-	25,787
Insurance	26,048	-	26,048
Professional fees	28,061	-	28,061
Sewer expense	10,682	-	10,682
Miscellaneous	35,618	-	35,618
Lease	7,500	-	7,500
Utilities and telephone	101,890	-	101,890
Depreciation	103,033	-	103,033
Total operating expenses	868,277	98,018	966,295
Operating income (loss)	(144,914)	3,345	(141,569)
<u>Non-operating revenues (expenses):</u>			
Capital Grant Proceeds	6,547	-	6,547
Interest income	319	-	319
Change in net assets before Contributions and transfers	(138,048)	3,345	(134,703)
<u>Contributions and Transfers:</u>			
Operating Transfers In	89,675	8,195	97,870
Operating Transfers Out	(125,507)	(3,256)	(128,763)
Change in net assets	(173,880)	8,284	(165,596)
Total net position - beginning	2,132,552	10,213	2,142,765
Prior Period Adjustment	-	(8,148)	(8,148)
Net Position Beginning- Restated	2,132,552	2,065	2,134,617
Total net position - ending	\$ 1,958,672	\$ 10,349	\$ 1,969,021

The accompanying notes are an integral part of the financial statements.

Town of Colfax

Statement of Cash Flows

Proprietary Funds - Year Ended June 30, 2014

	Business-Type Activities		
	Utility System	Sanitation System	Total
Cash flow from operating activities:			
Cash received from customers	\$ 754,610	\$ 101,227	\$ 855,837
Cash payments to suppliers of goods and services	(532,146)	(106,166)	(638,312)
Cash payments to employees for service	(210,552)	-	(210,552)
Net cash provided (used) by operating activities	11,912	(4,939)	6,973
Cash flows from non-capital financing activities:			
Interfund activity, net	-	-	-
Operating transfers, net	(35,832)	4,939	(30,893)
Net cash provided (used) by non-capital financing activities	(35,832)	4,939	(30,893)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(13,743)	-	(13,743)
Capital Grant Proceeds	6,547	-	6,547
Net cash provided (used) by capital and related financing activities	(7,196)	-	(7,196)
Cash flows from investing activities:			
Interest and other income	319	-	319
Net cash provided (used) by investing activities	319	-	319
Net increase (decrease) in cash	(30,797)	-	(30,797)
Beginning cash balance	138,225	-	138,225
Ending cash balance	107,428	-	107,428
Cash - restricted	-	-	-
Cash - unrestricted	\$ 107,428	\$ -	\$ 107,428

The accompanying notes are an integral part of the financial statements.

Town of Colfax

Statement of Cash Flows (Continued)

Proprietary Funds - Year Ended June 30, 2014

	Business-Type Activities		
	Utility System	Sanitation System	Total
<u>Reconciliation of operating income (loss) to net cash</u>			
Operating Income (loss)	\$ (144,914)	\$ 3,345	\$ (141,569)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	103,033	-	103,033
(Increase) decrease in accounts receivable	31,501	(136)	31,365
(Increase) decrease in prepaid expenses	(725)	-	(725)
(Decrease) increase in accounts payable	14,744	(8,148)	6,596
(Decrease) increase in accrued expenses	4,344	-	4,344
(Decrease) increase in meter deposits	(254)	-	(254)
(Decrease) increase in compensated absences	4,183	-	4,183
 Net cash provided (used) by operating activities	 <u>\$ 11,912</u>	 <u>\$ (4,939)</u>	 <u>\$ 6,973</u>

Supplemental disclosures of cash flow information:

For the years ended June 30, 2014 there were no investing, capital, and financing activities that did not result in cash receipts or payments.

The accompanying notes are an integral part of the financial statements.

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Colfax, Louisiana (the Town) was incorporated under the provisions of the Lawrason Act and operates under a Mayor-Board of Aldermen form of government. The Town provides various services including public safety (police and fire), streets and drainage, recreation, public improvements, utility (gas, water, sewerage, and sanitation), and general administrative services.

The accompanying policies of the Town of Colfax, Louisiana, conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies.

Financial Reporting Entity

As the municipal governing authority, for reporting purposes the Town is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the Town), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board establishes criteria for determining which component units should be considered part of the Town of Colfax for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - The ability of the Town to impose its will on that organization, and/or
 - The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
2. Organizations for which the Town does not appoint a voting majority but are fiscally dependent on the Town.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based upon the above criteria, the Town of Colfax has no component units for the year ended June 30, 2014.

Basic Financial Statements

The basic financial statements include both government-wide and fund financial statements. Both government-wide and fund financial statements categorize activities as either governmental activities or business-type activities, which are described as follows:

- Governmental activities involve government services that are normally supported by taxes and intergovernmental revenues.

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

- Business-type activities rely on fees and charges for support and operate in a manner similar to private sector enterprises.

The government-wide and fund financial statements present the Town's financial position and results of operations from differing perspectives which are described as follows:

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the Town as a whole. The effect of most inter-fund activity is eliminated from these financial statements. Furthermore, government-wide financial statements exclude any fiduciary activities which are reported in the fund financial statements.

Program revenues reported in the Statement of Activities consist of amounts that are directly associated with a governmental service or business-type activity. Program revenues include charges for services, fines, court cost, contributions associated with a particular function and most grants.

Fund Financial Statements

Funds are separate accounting entities that are designed to assist with demonstrating legal compliance and segregating transactions by activity. Separate financial statements are provided for governmental funds and proprietary funds. In addition, separate financial statements are presented for any fiduciary activities. Major individual funds are reported as separate columns in the fund financial statements. The Town's major funds are described as follows:

- Governmental Funds
 - General fund – The general fund is the primary operating fund and is used to account for all governmental activities.
- Proprietary Funds
 - Utility System – The utility fund is used to account for the operation of the Town's water, sewer, and natural gas system which are supported by user charges.

Business-Type funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services in connection with the funds ongoing operations. Principal operating revenues are charges to customers for natural gas, water and sewer service.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The basis of accounting and measurement focus used for various financial statement presentations are described as follows:

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Financial Statement Presentation

Government-Wide Financial Statements

Fund Financial Statements:

Governmental Funds

Proprietary Funds

Fiduciary Funds

Basis of Accounting

Accrual Basis

Modified Accrual Basis

Accrual Basis

Accrual Basis

Measurement Focus

Economic Resources

Current Financial Resources

Economic Resources

Economic Resources

Under the accrual basis of accounting and the economic resources measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred.

Under the modified accrual basis of accounting and the current financial resources measurement focus revenue is recognized when it is considered measurable and available. Revenue is considered available if it is collected within 60 days of year-end. In addition, expenses are generally recorded when a liability has been incurred; however, debt service, compensated absences, claims and judgments are recorded as expenses when payment is made. Furthermore, when the current financial resources measurement focus is used, amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. In addition, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt are reported as another financing source and repayment of long-term debt is reported as an expenditure.

Non-Exchange Transactions

Revenue from certain non-exchange transactions cannot be properly measured prior to collection. Furthermore, it is not practical to determine the probability of collection resulting from certain non-exchange transactions such as traffic citations. Consequently, revenue from franchise taxes, fines, and court cost is not recognized until it is collected.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Restricted Assets

Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. In situations where it is permissible to spend restricted resources, the Town typically depletes the available restricted resources before consuming unrestricted resources.

Budget Practices

The Mayor prepares an annual budget for the Town's general fund. This budget is submitted to the Board of Aldermen and an approved budget is adopted before the beginning of each fiscal year. Amended budgets are prepared prior to the conclusion of each fiscal year. The amended budgets are prepared and approved in the same manner as the original budget.

The general fund budget presents revenue and expenditures on a basis which is consistent with generally accepted accounting principles. No annual budget is required for the Town's Utility Fund.

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Capital Assets

Capital assets are carried at historical cost or estimated historical cost including interest incurred during construction. Prior to July 1, 1989, there were few records supporting the cost; therefore, cost related to the Town's utility system is estimated based on information furnished by the Town's consulting engineers. Cost of buildings and equipment acquired prior to July 1, 1989, were estimated based on replacement cost.

Infrastructure capital assets consisting of streets, bridges, sidewalks, and drainage systems acquired before July 1, 2003, are excluded from capital assets. Depreciation associated with capital assets is computed using the straight-line method over the estimated useful lives of the assets.

Cash and Cash Equivalents

Amounts reported as cash and cash equivalents (restricted and unrestricted) include all cash on hand, cash in bank accounts, certificates of deposit, and highly liquid investments. Credit risk associated with bank deposits is limited by requiring fiscal agent banks to pledge securities as required by State Law. Furthermore, interest rate risk associated with certificates of deposits is typically mitigated by purchasing instruments that mature in one year or less.

Encumbrance Accounting

Purchase orders, contracts, and other commitments to engage in future expenditures are referred to as encumbrances. Since encumbrances do not represent liabilities or current expenditures, encumbrances are not reported in the accompanying financial statements.

Compensated Absences

Accumulated unpaid vacation and compensatory pay have been accrued when incurred in the Proprietary Funds (using the accrual basis of accounting). These amounts relating to the Governmental Funds have been presented in the government-wide financial statements.

Statement of Cash Flows

For the purposes of reporting cash flows, cash and cash equivalents includes all cash on hand, cash in bank, and certificates of deposit.

Interfund Transactions

Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without expectation of repayment, the transaction is reported as a transfer. Transfers are treated as a source of income by the recipient and as an expense or expenditure by the provider. If repayment is eventually expected to occur, interfund receivables and payables are recorded.

In preparing the government-wide financial statements, transfers are eliminated to present net transfers for governmental activities and business-type activities. In addition, interfund receivables and payables are eliminated to present a net internal balance for each type of activity.

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Fund Balance Classification

Approval of the majority of the Board of Aldermen is required to approve the commitment of fund balances. In situations where it is permissible to spend restricted or committed resources, the Town typically depletes the available restricted or committed resources before consuming unrestricted resources.

NOTE 2 - CASH AND CASH EQUIVALENTS

At June 30, 2014, cash and cash equivalents totaled \$202,185 (book balance) and \$214,418 (bank balance). The book balance is considered unrestricted.

Deposits are stated at cost, which approximates market value. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2014, the Town's bank deposits are secured from risk by \$250,000 of federal deposit insurance and \$241,092 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

Even though the pledged securities are considered uncollateralized (Category 3), State law imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten (10) days of being notified by the Town that the pledging bank has failed to pay deposited funds on demand.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2014, consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Accounts Receivable</u>			
Charges for Services	\$ ----	\$ 95,612	\$ 95,612
Franchise Taxes	15,958	----	15,958
Occupational License	----	----	----
Other	3,892	832	4,724
Total Accounts Receivables	<u>19,850</u>	<u>96,444</u>	<u>116,294</u>
 <u>Due From Other Governmental Units</u>			
Sales Taxes	19,353	----	19,353
Other	12,442	----	12,442
Total Due From Other Governmental Units	<u>31,795</u>	<u>----</u>	<u>31,795</u>

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Total Receivables	51,645	96,444	148,089
Allowance for Doubtful Accounts	----	(6,890)	(6,890)
Net Receivables	<u>\$ 51,645</u>	<u>\$ 89,554</u>	<u>\$ 141,199</u>

NOTE 4 – LONG-TERM LIABILITIES

The following are liabilities due in more than one year:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Compensated Absences	<u>\$ 11,037</u>	<u>\$ 60,940</u>	<u>\$ 71,977</u>

Changes in the Town's long-term liabilities for the year ended June 30, 2014 are presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Compensated absences	\$ 10,522	\$ 515	\$ ----	\$ 11,037
<u>Business-Type Activities</u>				
Compensated Absences	<u>56,757</u>	<u>4,183</u>	<u>----</u>	<u>60,940</u>
Total Long-Term Liabilities	<u>\$ 67,279</u>	<u>\$ 4,698</u>	<u>\$ ----</u>	<u>\$ 71,977</u>

NOTE 5 – AD VALOREM TAXES

The Town bills and collects its own property taxes using assessed values determined by the Tax Assessor of Grant Parish.

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are actually billed to the taxpayers in late November or December.

Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

For the year ended June 30, 2014, the Town levied 10.40 mills of ad valorem taxes totaling \$99,708 which were dedicated to the general corporate purposes of the Town.

NOTE 6 - FIXED ASSETS

Changes in the governmental and business-type capital assets are presented as follows:

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Non Depreciable Capital Assets				
Construction in Progress	\$ 455,311	\$ 114,062	\$ (569,373)	\$ ----
Land	207,068	----	----	207,068
Total	<u>662,379</u>	<u>114,062</u>	<u>(569,373)</u>	<u>207,068</u>
Depreciable Capital Assets				
Buildings	47,076	----	----	47,076
Improvements	1,218,077	569,373	----	1,787,450
Equipment	393,915	5,183	(21,918)	377,180
Accumulated Depreciation	(1,052,299)	(79,254)	21,701	(1,109,852)
Total	<u>606,769</u>	<u>495,302</u>	<u>(217)</u>	<u>1,101,854</u>
Total Governmental Activities	<u>\$ 1,269,148</u>	<u>\$ 609,364</u>	<u>\$ (569,590)</u>	<u>\$ 1,308,922</u>
<u>Business-Type Activities</u>				
Non Depreciable Capital Assets				
Construction in Progress	\$ ----	\$ ----	\$ ----	\$ ----
Land	6,232	----	----	6,232
Total	<u>6,232</u>	<u>----</u>	<u>----</u>	<u>6,232</u>
Depreciable Capital Assets				
Sanitation Equipment	37,254	----	----	37,254
Sanitation Improvements	2,024	----	----	2,024
Utility Buildings	4,131	----	----	4,131
Utility Equipment	203,131	13,743	(34,901)	181,973
Utility Distribution System	5,089,157	----	----	5,089,157
Accumulated Depreciation	(3,243,616)	(103,033)	34,901	(3,311,748)
Total	<u>2,092,081</u>	<u>(89,290)</u>	<u>----</u>	<u>2,002,791</u>
Total Business-Type Activities	<u>\$ 2,098,313</u>	<u>\$ (89,290)</u>	<u>\$ (----)</u>	<u>\$ 2,009,023</u>

Depreciation expense reported by the various functions is presented as follows:

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Governmental Activities

General Government	\$ 8,158
Public Safety	52,524
Streets, Drainage, & Recreation	18,572
Total Depreciation – Governmental Activities	<u>\$ 79,254</u>

Business-Type Activities

Utility System	\$ 103,033
Sanitation	----
Total Depreciation – Business-Type Activities	<u>\$ 103,033</u>

NOTE 7 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following is a summary of accounts payable and accrued expenses at June 30, 2014:

	<u>Payable to Vendors</u>	<u>Accrued Expenses</u>	<u>Total</u>
<u>Governmental Activities</u>			
General Fund	\$ 41,284	\$ 7,216	\$ 48,500
LCDBG Fund	----	----	----
Total Governmental	<u>41,284</u>	<u>7,216</u>	<u>48,500</u>
<u>Business-Type Activities</u>			
Utility System	68,375	11,178	79,553
Sanitation System	----	----	----
Total Business-Type	<u>68,375</u>	<u>11,178</u>	<u>79,553</u>
Total Accounts Payable And Accrued Expenses	<u>\$ 109,659</u>	<u>\$ 18,394</u>	<u>\$ 128,053</u>

NOTE 8 – COMPENSATION OF ELECTED OFFICIALS

Payments to the Board of Aldermen for the year ended June 30, 2014 were as follows:

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

	<u>Position</u>	<u>Amount</u>
Gerald Hamilton	Mayor	\$ 14,400
Alan Futrell	Alderman	4,200
David Clark	Alderman	4,200
Lourain Lacour	Alderman	4,200
Lorraine Sapp	Alderman	4,200
Cora Reed	Alderman	4,200
		<u>\$ 35,400</u>

NOTE 9 - RISK MANAGEMENT

The Town of Colfax is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks of loss are covered by a comprehensive commercial insurance policy and participation in a public entity risk pool that operates as a common insurance program. Claims resulting from these risks have historically not exceeded insurance coverage.

NOTE 10 – CONDUIT DEBT

To provide for the construction of a warehouse/distribution facility, land and infrastructure improvements, the Town of Colfax issued \$2,300,000 of indebtedness to the Louisiana Department of Economic Development. This debt is a limited special obligation of the Town, payable solely from and secured by a pledge of rental income to be received from a lease agreement between the Town and Ditto Apparel of California, Inc. This debt does not constitute a debt or pledge of the faith and credit of the Town, and accordingly has not been reported in the accompanying financial statements.

At June 30, 2014, the balance of the debt outstanding aggregated \$900,000.

NOTE 11 - TRANSFERS

In the ordinary course of business, the Town routinely transfers resources between its funds in order to cover expenses as necessary. The transfers are presented as follows:

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

	Transfers In	Transfers Out	Net Transfers
Governmental Activities			
General Fund	\$ 125,507	\$ (94,614)	\$ 30,893
Non-Major	----	----	----
Total Transfers Out	125,507	(94,614)	30,893
Business-Type Activities			
Utility System	89,675	(125,507)	(35,832)
Non-Major	8,195	(3,256)	4,939
Total Transfers Out	97,870	(128,763)	30,893
Net Transfers	\$ 223,377	\$ (223,377)	\$ ----

NOTE 12 – INTERFUND RECEIVABLES AND PAYABLES:

In the ordinary course of business, the Town routinely records an interfund receivable and payable from the general fund to the utility fund. These receivables and payables are paid off at the end of each month. For the year ended June 30, 2014, the interfund balance between the funds was \$0.

NOTE 13- PENSION PLAN

Substantially all employees of the Town of Colfax, Louisiana, are members of the Municipal Employees Retirement Systems of Louisiana. This system is a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the plan follows:

Plan Description. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan B.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2 percent of their final average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3 percent for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 percent of final average salary. Final average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy. Under Plan B, members are required by state statute to contribute 5.0 percent of their annual covered salary and the Town of Colfax is required to contribute at an actuarially determined rate. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of Colfax are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. Retirement expense reported by the Town for the year end June 30, 2014 is \$25,055.

NOTE 14 – GRANT REVENUES

As with most municipalities with diverse operations, the Town regularly receives grant revenues related to various aspects of the Towns operations.

For the year ended June 30, 2014, the Town continued work on the Grant it was awarded in the previous year; a Municipalities Infrastructure Program Grant for drainage improvements. The grant is being administered by the Division of Administration, Office of Community Development Disaster Recovery Unit. The total federal funds awarded are \$623,250. The funds expended during the prior years were \$455,311 and current year expenditures were \$114,062. The Grant was completed in the current year. Not all Grant funds were received or expended, as the project did not require all of the funds available.

In the prior year, the Town received an LGAP 2012-2013 Grant. The total grant award for the 2012-2013 LGAP grant was \$26,250. The total funds that were expended during the prior year were \$19,703. Current year expenditures related to this project were \$6,623 with \$6,547 of this amount paid with the remaining grant funds available. This grant was complete at year end.

NOTE 15 – CONTINGENCIES

Existing conditions that may have financial consequences in the future are referred to as contingencies. Contingencies existing at June 30, 2014, are described as follows:

Litigation

Like most governmental units with extensive and diverse operations, the Town is occasionally named as a defendant in litigation. Based on consultation with Town Attorney and insurance carrier, there are no anticipated claims that are expected to exceed available insurance coverage.

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Grant Compliance

The Town receives state and federal assistance through various grant programs. Management is confident that all significant grant conditions have been met; however, grantor agencies routinely review grant activity and could request reimbursement if a dispute occurs regarding compliance with grant conditions.

Sales Tax Repayment

In the Current year the Town received sales tax collection revenue for a 1% sales tax that had expired and not been renewed. Information was obtained from the Grant Parish Sheriff's Office; the sales tax collector to estimate a potential liability for refund requests. This was done for vehicle sales only; as they are the only claims of any significant dollar amounts. The Town has created an Escrow account in the amount of \$20,000 for potential refund requests.

NOTE 16 – ON-BEHALF PAYMENTS

The State of Louisiana provides supplemental pay for public safety employees that meet certain requirements. Amounts reported as revenue and expenditures in connection with State Supplemental Pay are \$8,232.

NOTE 17 – SALES TAX

The sales tax collections of the Town of Colfax are not restricted as to the use of monies. The Town assesses 2 % sales or use tax. The expiration of the sales tax law passed in October 2001 was January 17, 2013.

The Town's sales tax is composed of two parts. One part is a permanent 1 percent sales tax. The other part is a 1 percent sales tax for a ten year period. This 1 percent portion expired on January 17, 2013. Vendors continued to collect the sales tax through the end of April 2014. The 1 percent sales tax was included on the November 2014 ballot and was renewed as a permanent sales tax which will take effect in April 2015. The Town established a separate bank account to refund the excess sales tax collected from January 17, 2013 through April 2014. Individuals and businesses have the opportunity to submit a claim for a refund of excess sales tax paid. At June 30, 2014 the bank account has a balance of \$20,000. The Town estimates that the amount will be sufficient to handle any claims that may be filed.

The Town reported one-half of the money received from the tax collection agency (the Grant Parish Sheriff's Office) on its behalf in the current year through the time the expired tax collection was stopped (July 2013 through April 2014) as Miscellaneous Revenue in the General Fund in the current year. This amount is \$114,208 and represents the amount that was collected in sales tax for the current audit year after the sales tax provision expired.

The total estimated tax remitted to the Town of Colfax after the tax provision expired (January 2013 through June 30, 2013 and July 1, 2013 through April 2014) is estimated at \$60,799 and \$114,208 respectively.

NOTE 18 – PRIOR PERIOD ADJUSTMENT

During the current year audit procedures it was determined that prior year Sanitation Expenses of \$8,148 were not properly reported in the prior year as expenditures. A prior period adjustment has been recorded.

Town of Colfax

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual

Year Ended June 30, 2014

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes				
Ad valorem	\$ 68,000	\$ 99,847	\$ 99,708	\$ (139)
Sales taxes	260,000	263,709	133,559	(130,150)
License and permits				
Occupational licenses	66,000	62,014	59,677	(2,337)
Franchise fees	58,000	64,032	67,135	3,103
Other permits	-	-	173	173
Fines and fees	46,000	31,293	35,478	4,185
Rent	1,500	5,510	8,970	3,460
Intergovernmental				
Beer taxes	4,500	3,298	3,200	(98)
Grant Revenues	-	-	-	-
Payment in lieu of taxes	9,200	5,379	10,123	4,744
Other Intergovernmental	-	-	14,710	14,710
Miscellaneous				
Other	30,000	12,753	122,377	109,624
Interest	375	61	85	24
Total revenues	543,575	547,896	555,195	7,299
<u>Expenses:</u>				
General government	336,600	269,523	207,268	62,255
Public Safety	163,800	172,729	184,848	(12,119)
Streets and Drainage	115,000	93,825	165,405	(71,580)
Recreation	11,500	10,508	5,195	5,313
Capital Outlay	30,000	5,183	5,183	-
Total Expenses	656,900	551,768	567,899	(16,131)
Excess (deficiency) of revenues over expenditures	(113,325)	(3,872)	(12,704)	(8,832)
<u>Other financing sources (uses):</u>				
Operating transfers in	135,000	78,597	125,507	46,910
Operating transfers out	-	(90,757)	(94,614)	(3,857)
Total other financing sources (uses)	135,000	(12,160)	30,893	43,053
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	21,675	(16,032)	18,189	34,221
Fund balance - beginning of year	82,595	82,595	82,595	-
Fund balance - end of year	\$ 104,270	\$ 66,563	\$ 100,784	\$ 34,221

Town of Colfax

General Fund

Schedule of Expenses - Budget and Actual

Year Ended June 30, 2014

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
<u>General Government:</u>				
Salary - Elected Officials	\$ 35,400	\$ 35,400	\$ 35,400	\$ -
Salaries - office	49,400	25,000	23,746	1,254
Payroll Taxes	23,000	26,505	4,541	21,964
Equipment Maintenance	25,000	9,994	2,615	7,379
Gas and Oil	20,000	11,353	-	11,353
Office and Printing	10,000	10,657	11,338	(681)
Utilities and Phone	70,000	82,130	59,084	23,046
Insurance	32,500	13,237	608	12,629
Dues and Subscriptions	3,000	3,335	2,285	1,050
Miscellaneous	10,000	12,628	21,466	(8,838)
Professional Fees	35,000	25,392	31,191	(5,799)
Mayor's Expense	500	565	1,047	(482)
Other Labor	1,500	180	480	(300)
Travel and Seminar	9,000	5,915	5,915	-
Retirement	7,300	7,232	6,967	265
Demolitions & Removal	-	-	571	(571)
Other Expense	-	-	14	(14)
Sales tax administration	5,000	-	-	-
Total General Government	336,600	269,523	207,268	62,255
<u>Public Safety:</u>				
Police Department Salaries	121,000	118,147	116,450	1,697
Police Department Payroll Taxes	-	-	8,853	(8,853)
Police Department Expenses	-	-	13,279	(13,279)
Police Fine Related Fees	-	12,813	7,511	5,302
Repairs & Maintenance	5,000	14,343	11,045	3,298
Gas & Oil	18,500	16,418	15,679	739
Utilities and Telephone	5,300	2,208	2,396	(188)
Insurance	14,000	8,800	9,267	(467)
Travel	-	-	368	(368)
Total Public Safety	163,800	172,729	184,848	(12,119)
<u>Streets, Drainage, and Recreation:</u>				
Streets and Drainage				
Salaries	90,000	78,966	84,907	(5,941)
Payroll Taxes	-	-	6,400	(6,400)
Supplies and Materials	20,000	14,859	13,396	1,463
Aloha-Rigolette Maintenance	5,000	-	-	-
Repairs and Maintenance	-	-	12,356	(12,356)
Gas and Oil	-	-	12,433	(12,433)
Utilities and Telephone	-	-	21,842	(21,842)
Other	-	-	260	(260)
Insurance	-	-	13,811	(13,811)
Total Streets and Drainage	115,000	93,825	165,405	(71,580)

Continued...

Town of Colfax

General Fund

Schedule of Expenses - Budget and Actual

Year Ended June 30, 2014

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
<u>Streets, Drainage, and Recreation (cont.):</u>				
Recreation				
Ball Parks/Parks & Recreation	2,500	1,030	1,499	(469)
Festivals and Parades	5,000	5,478	3,626	1,852
Recreations Program	4,000	4,000	70	3,930
Total Recreation	11,500	10,508	5,195	5,313
 Total Streets, Drainage, and Recreation	 126,500	 104,333	 170,600	 5,313
 <u>Capital Outlay:</u>				
Equipment	30,000	5,183	5,183	-
Other	-	-	-	-
 Total Capital Outlay	 30,000	 5,183	 5,183	 -
 Total Expenses	 \$ 656,900	 \$ 551,768	 \$ 567,899	 \$ (16,131)

TOWN OF COLFAX

Schedule of Findings and Questioned Costs ***June 30, 2014***

Part I - Summary of Auditor's Results:

- The Independent Auditor's Report on the general purpose financial statements for the Town of Colfax, Louisiana, as of June 30, 2014 and for the year then ended expressed an unqualified opinion.
- The results of the audit disclosed one instance of noncompliance (2014-3) or other matters that are considered to be material to the financial statements of the Town of Colfax.
- The audit did not disclose any deficiency in internal control over financial reporting that is considered to be a material weakness.
- The audit disclosed five findings (2014-1, 2014-2, 2014-4, 2014-5 and 2014-6) which are considered to be a significant deficiency in internal control over financial reporting.
- The Town was not required to have a Single Audit; therefore, none of the reporting requirements of OMB Circular A-133 was required.

Part II - Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards:

- Finding 2014-1 - Legislative Auditor Compliance Review: Unresolved items remain from the Louisiana Legislative Auditor compliance review, dated October 29, 2008 and their *Checklist of Best Practices*.
- Finding 2014-2 - Purchase of Flowers: Flowers were purchased for the funeral service of a Town member. This is a violation of the allowable uses of the Town's funds.
- Finding 2014-3 – Sales Tax Paid on Purchases: The Town is exempt from paying sales tax. During our procedures it was noted that sales tax was paid on some invoices.
- Finding 2014-4 – Sales Tax Expiration: In the current year, of the various sales taxes the Town collects; a 1% sales tax that had previously expired was still being collected by the Grant Parish Sheriff's Office on behalf of the Town and was being remitted to the Town.
- Finding 2014-5 – Gas Utilities Billing: In the current year it is estimated that Gas utilities were under billed by approximately \$11,000.
- Finding 2014-6 – Unauthorized Purchases: Subsequent to year end, the Chief of Police was arrested by the Grant Parish Sheriff's Office for Theft and Malfeasance in Office. These charges resulted from an investigation into the complaint of unauthorized purchases being made.

Part III - Findings and Questioned Costs for Federal Awards Which Shall Include Audit Findings as Defined by OMB Circular A-133:

- None.

TOWN OF COLFAX

Management's Corrective Action Plan ***June 30, 2014***

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.	
<p><u>Finding 2014-1</u> – The Legislative Auditor issued a compliance review, dated October 29, 2008. In addition, the Legislative Auditor applied their <i>Checklist of Best Practices</i>, and the following noted items still remain unresolved:</p> <ol style="list-style-type: none">1. Natural Gas Losses: "Management to continue its efforts to identify the causes of the natural gas losses."2. Past Due Accounts: The recommendation was that "management develop and enforce a uniform cut-off policy."	<p><u>Response:</u></p> <p>We have addressed this comment below in the management letter section.</p> <p>We have addressed this comment below in the management letter section.</p>
<p><u>Finding 2014-2 –Purchasing Procedures:</u> It has been determined that the Town purchased flowers for the funeral services of a Town member. This is a violation of the Louisiana Constitution.</p>	<p><u>Response:</u> We have reviewed compliance standards and will implement procedures to prevent this occurrence in the future.</p>
<p><u>Finding 2014-3 – Sales Tax Paid on Purchases:</u> The Town is exempt from paying sales tax. During our procedures it was noted that sales tax was paid on some invoices.</p>	<p><u>Response:</u> We will closely monitor all invoices to ensure no sales tax is charged on purchases or paid in the future.</p>
<p><u>Finding 2014-4 – Sales Tax Expiration:</u> In the current year; of the various sales taxes the Town collects; a 1% sales tax that had previously expired was still being collected by the Grant Parish Sheriff's Office on behalf of the Town and was being remitted to the Town. See Note 17.</p>	<p><u>Response:</u> As soon as this sales tax expiration was discovered, the Town notified our auditors and attorney for guidance. The Auditor immediately notified the legislative auditor who then notified the tax collector (Grant Parish Sheriff's Office) in order to stop the collection of the expired sales tax percentage as soon as possible. The Town has set up an escrow account for the potential refund claims associated with this issue.</p>
<p><u>Finding 2014-5 - Gas Utilities Billing:</u> In the current year it is estimated that Gas utilities were under billed by approximately \$11,000.</p>	<p><u>Response:</u> The Town relies on rates provided by our gas supplier. For the month the error occurred in the billing rate, the</p>

TOWN OF COLFAX

Management's Corrective Action Plan June 30, 2014

<p><u>Finding 2014-6 – Unauthorized Purchases:</u> Subsequent to year end, the Chief of Police was arrested by the Grant Parish Sheriff's Office for Theft and Malfeasance in Office. These charges resulted from an investigation into the complaint of unauthorized purchases being made.</p>	<p>supplier provided our office with an incorrect rate. We were unaware of this until the actual bill was received after our utility bills were issued. This accounted for the amount of the noted billing error. We make and will continue to make every effort to ensure billing rates are properly billed. We will discuss this matter with our provider further to prevent future occurrences.</p> <p><u>Resolved:</u> As of the date of this report Final Legal proceedings have been completed against the Police Chief.</p>
<p style="text-align: center;"><u>SECTION II</u> INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS</p>	
<p>Not applicable.</p>	<p>Not Applicable.</p>
<p style="text-align: center;"><u>SECTION III</u> MANAGEMENT LETTER</p>	
<p><u>ML-1-2014, Natural Gas Losses:</u> Over the eight year period gas losses have ranged from 15.3% to 43.5%. Such losses are costly and may be dangerous to the public. Possible explanations for the loss of gas are leakage and/or worn out meters that do not accurately measure the amount of gas delivered to customers.</p> <p><u>ML-2-2014, Utility Cutoff Procedures:</u> During our work on the Town's utility system, we noted that past due utility bills are still at a high level. We are concerned that these increases may be attributable to a lack of enforcing a uniform cutoff policy. Our test work also showed that some employees are slow to pay their bills. We recommend the Town strictly enforce a uniform cutoff policy.</p>	<p><u>Response:</u> We are continuing to diligently work with our natural gas supplier as well as performing leak surveys and working to fix all leaks in order to control the losses. During the prior year we received an LGAP grant for repairs to the gas system. We completed this grant work in the current year. We have also hired an outside consultant to assist with this matter. We will continue to monitor our losses and address issues as they appear.</p> <p><u>Response:</u> We will review our cutoff policies and take any corrective action as deemed necessary. In addition we will continue reviewing accounts receivable reports and delinquent reports at each council meeting.</p>

TOWN OF COLFAX

Summary of Prior Year Findings and Questioned Costs June 30, 2014

<u>SECTION I</u> INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.	
<p><u>Finding 2013-1</u> – The Legislative Auditor issued a compliance review, dated October 29, 2008. In addition, the Legislative Auditor applied their <i>Checklist of Best Practices</i>, and the following noted items still remain unresolved:</p> <ol style="list-style-type: none"> 1. Natural Gas Losses: “Management to continue its efforts to identify the causes of the natural gas losses.” 2. Past Due Accounts: The recommendation was that “management develop and enforce a uniform cut-off policy.” 	<p><u>Unresolved:</u></p> <p>We have addressed this comment above in the management letter section.</p> <p>We have addressed this comment above in the management letter section.</p>
<p><u>Finding 2013-2 –Purchasing Procedures:</u> It has been determined that the Town purchased gift cards for \$60 for town employees. This is a violation of the Louisiana Constitution.</p>	<p><u>Unresolved:</u> See Current Year Finding 2014-2.</p>
<p><u>Finding 2013-3 – Unauthorized Purchases:</u> Subsequent to year end, the Chief of Police was arrested by the Grant Parish Sheriff’s Office for Theft and Malfeasance in Office. These charges resulted from an investigation into the complaint of unauthorized purchases being made.</p>	<p><u>Resolved:</u> As of the date of this report Final Legal proceedings have been completed against the Police Chief.</p>
<p><u>Finding 2013-4 – Budget Variance:</u> The Town’s general fund revenues experienced an unfavorable budget variance greater than five percent of final budget amounts.</p>	<p><u>Resolved:</u> In the current year Budget Requirements were met. There were no budget variances in excess of the five percent allowable amount.</p>
<u>SECTION II</u> INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
No Findings of this nature.	No response necessary.

TOWN OF COLFAX

Summary of Prior Year Findings and Questioned Costs June 30, 2014

SECTION III MANAGEMENT LETTER

ML-1-2013, Natural Gas Losses:

Over the eight year period gas losses have ranged from 15.3% to 43.5%. Such losses are costly and may be dangerous to the public. Possible explanations for the loss of gas are leakage and/or worn out meters that do not accurately measure the amount of gas delivered to customers.

ML-2-2013, Utility Cutoff Procedures:

During our work on the Town's utility system, we noted that past due utility bills are still at a high level. We are concerned that these increases may be attributable to a lack of enforcing a uniform cutoff policy. Our test work also showed that some employees are slow to pay their bills. We recommend the Town strictly enforce a uniform cutoff policy.

ML-3-2013 – Insurance Coverage:

It has come to our attention that the Town's insurance policy related to damage and destruction of the Town Hall and related contents has not been renewed with the previous provider. We recommend the Town review its insurance policies and coverage needs to protect against potential loss.

Unresolved.

See Response to ML 1-2014 above.

Unresolved.

See Response to ML 2-2014 above.

We will review our cutoff policies and take any corrective action as deemed necessary. In addition we will continue reviewing accounts receivable reports and delinquent reports at each council meeting.

Resolved.

We have obtained insurance coverage.

ROZIER, HARRINGTON & MCKAY

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M. DALE HARRINGTON, CPA
RETIRED - 2005

December 26, 2014

Town of Colfax
Colfax, Louisiana

In planning and performing the audit we were engaged to perform on the financial statements of the Town of Colfax for the year ended June 30, 2014, we became aware of some issues that should be addressed by the Mayor and Council.

Natural Gas Losses:

A summary of gas purchases and resale to customers over the last six years is as follows:

	For the Year Ended June 30,							
	2007	2008	2009	2010	2011	2012	2013	2014
Gas Purchases (MCF)	30,337	29,289	26,295	29,691	33,981	27,133	26,079	31,671
Gas Sales (MCF)	22,682	22,041	20,873	25,163	20,634	15,336	18,590	22,013
Gas Loss (MCF)	7,655	7,248	5,422	4,528	13,347	11,797	7,489	9,658
Gas Loss as a Percentage of Purchases	25.2%	24.7%	20.6%	15.3%	39%	43.5%	28.7%	30.5%

Over the seven year period gas losses have ranged from 15.3% to 43.5%. Possible explanations for the loss of gas are leakage and/or worn out meters that do not accurately measure the amount of gas delivered to customers. We believe the Town needs to continue investigating these losses to determine the cause of the shortages.

Utility Cutoff Procedures:

During our work on the Town's utility system, we noted that past due utility bills are still at an increased level. We are concerned that this increase may be attributable to a lack of enforcing a

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uniform cutoff policy. We also noted that some employees are slow to pay. We recommend the Town strictly enforce a uniform cutoff policy.

Rozier, Harrington & McKay
ROZIER, HARRINGTON & MCKAY,
Certified Public Accountants